

Message Text

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PAGE 01 STATE 272277

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INFO OCT-01 ISO-00 EB-07 SS-15 NSC-05 INR-05 CIAE-00 L-02

SP-02 RSC-01 /048 R

DRAFTED BY EA/ROC:KJWEAVER:ARCK
APPROVED BY EA:LEEDMOND
EB/FTD: A.J. WILLIAMS

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R 112350Z DEC 74
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI
INFO CINCPAC HONOLULU HI

C O N F I D E N T I A L STATE 272277

E.O. 11652:GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEM

REFERENCE: (A) TAIPEI 7138
(B) STATE 265789
(C) TAIPEI 7230

CINCPAC FOR AMBASSADOR UNGER

1. WE ARE CONCERNED BY BOARD OF FOREIGN TRADE (BOFT) REPORT TO EMBASSY THAT AS OF DECEMBER 3 ONLY ONE TEXTILE MILL HAD OPENED LETTER OF CREDIT (L/C) ON OVERDUE COTTON CONTRACT AND, PARTICULARLY, ABOUT GROC INACTION TO DATE IN DEVISING CONCRETE PROGRAM OF FINANCIAL ASSISTANCE TO TEXTILE INDUSTRY (REFTEL C)

2. CONGRESSIONAL PRESSURES TO RESOLVE COTTON CONTRACT PROBLEM HAVE IN NO MEASURE DIMINISHED. ACCORDING TO STATISTICS RECEIVED FROM AMERICAN COTTON SHIPPERS' ASSOCIATION (ACSA), NUMBER OF BALES OF COTTON PAST DUE
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SHIPMENT TO ROC AS OF DECEMBER 4 TOTAL 82,435. SINCE

US MERCHANDISERS ARE WELL INTO PEAK CONTRACT SHIPPING PERIOD, ABSENCE OF SUBSTANTIAL PROGRESS BY TAIWAN MILLS IN OPENING L/C'S IN NEAR FUTURE WILL LIKELY ADD TO AL-

READY CONSIDERABLE POLITICAL PRESSURES AND EXACERBATE CONTINUING DOWNWARD TREND IN COTTON PRICES.

3. WE DO NOT ACCEPT AS EITHER VALID OR HELPFUL IN THIS INSTANCE Y.S. SUN'S VIEW THAT COTTON CONTRACT PROBLEMS ON THIS SCALE ARE NORMAL IN COMMERCIAL DEALINGS AND SHOULD BE RESOLVED AT THAT LEVEL WITHOUT THE INVOLVEMENT OF GOVERNMENTS (REFTEL A). WHILE CONTRACT DIFFICULTIES ARE NORMALLY RESOLVED PRIVATELY WITHOUT GOVERNMENT INTERVENTION, THE CURRENT COTTON CONTRACT PROBLEM INVOLVES POTENTIAL MASS DEFAULTING BY EAST ASIAN MILLS ON A SCALE WHICH COULD PRODUCE SERIOUS INDUSTRY-WIDE ECONOMIC DISRUPTION AND INCREASING PRESSURE FOR UNILATERAL ECONOMIC ACTION BY USG.

4. SHOULD THE GROC FAIL TO HONOR ITS COMMITMENT TO DEVISE A FINANCIAL ASSISTANCE PROGRAM FOR THE TEXTILE INDUSTRY BY DECEMBER 13, AS PROMISED REFTEL C, WE WOULD APPRECIATE YOUR ADVISING US PROMPTLY.

5. WHILE WE ARE CONCERNED THAT THE GROC TAKE EFFECTIVE STEPS TO RESOLVE THIS ISSUE, IT SHOULD BE CLEAR THAT WE ARE APPLYING NO MORE PRESSURE TO TAIWAN MILLS THAN TO THOSE IN KOREA, THAILAND AND THE PHILIPPINES. INGERSOLL

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Message Attributes

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Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: KJWEAVER:ARCK
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